

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 0270-01  
Bill No.: SB 198  
Subject: Estates, Wills and Trusts; Taxation and Revenue - Inheritance  
Type: Original  
Date: March 15, 2011

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Bill Summary: Would repeal the Missouri estate tax.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
<b>FUND AFFECTED</b>	<b>FY 2012</b>	<b>FY 2013</b>	<b>FY 2014</b>
General Revenue *	\$0	\$0	(More than \$100,000)
<b>Total Estimated Net Effect on General Revenue Fund *</b>	<b>\$0</b>	<b>\$0</b>	<b>(More than \$100,000)</b>

\* Potential future revenue foregone.

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2012</b>	<b>FY 2013</b>	<b>FY 2014</b>
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☒ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## FISCAL ANALYSIS

### ASSUMPTION

Officials from the **Office of Administration, Division of Budget and Planning** (BAP) assume this proposal would not result in additional costs or savings to their organization.

This proposal would repeal the Missouri estate tax. According to current provisions, the Missouri estate tax exists only to the extent that 1) there is a federal estate tax, and 2) there is a federal credit for state estate taxes. Those two conditions have not been met for several years, and Missouri estate tax revenues have been minimal since 2006.

The enactment of the federal Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 continued the estate tax at the federal level, but did not provide a credit for state death taxes. Therefore, Missouri will not have a state estate tax for the next two years.

The Department of Revenue advised BAP that the current federal provisions will expire on December 31, 2012. If there are no other changes, Missouri would have an estate tax beginning on January 1, 2013 and Missouri could collect estate taxes beginning in Sept. 1, 2013, which is in FY 2014.

BAP notes that Missouri estate tax collections in were \$157 million in FY 2001, and \$137 million in FY 2002. Future estate tax collections could be substantially more or less, depending on the specifics of federal tax law at that time and the assets of decedents at that time. This proposal would reduce general and total state revenues in FY 2014, in amounts estimated to exceed \$100 million per year.

Officials from the **Department of Revenue** (DOR) assume this proposal would have no fiscal impact on their organization.

There would no impact to the state for 2011 and 2012. However, in 2013, the federal estate tax and a state tax credit are scheduled to be reinstated. This proposal would result in an unknown reduction in revenues if the Missouri estate tax is eliminated.

Officials from the **University of Missouri, Economic and Policy Analysis Research Center** (EPARC) stated that because they are unable to forecast future collections, there is no way for them to quantify this proposal's impact on Net General Revenue.

ASSUMPTION (continued)

**Oversight** notes that current federal and state provisions would result in Missouri estate tax revenues beginning in FY 2014, and BAP has estimated that Missouri estate tax revenues could exceed \$100 million per year. Oversight also notes that DOR reported only \$263,000 in estate tax revenues for FY 2010.

For fiscal note purposes, Oversight will indicate that revenue in excess of \$100,000 would be foregone in FY 2014 based on the assumption that this proposal would eliminate revenue which could have been generated under current provisions.

<u>FISCAL IMPACT - State Government</u>	FY 2012 (10 Mo.)	FY 2013	FY 2014
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**GENERAL REVENUE FUND**

<u>Revenue reduction</u> - eliminate estate tax *	<u>\$0</u>	<u>\$0</u>	<u>(More than \$100,000)</u>
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<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND *</b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>(More than \$100,000)</u></b>
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\* Potential future revenue foregone.

<u>FISCAL IMPACT - Local Government</u>	FY 2012 (10 Mo.)	FY 2013	FY 2014
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<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
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FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

The proposed legislation would repeal the Missouri estate tax.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of Administration  
Division of Budget and Planning  
Department of Revenue  
University of Missouri  
Economic and Policy Analysis Research Center

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA  
Director  
March 15, 2011